

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MAY 21, 2011, AT 9:00 A.M. AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

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CALL TO ORDER AND ROLL CALL

Mayor Joens called the work session to order at 9:00 a.m.

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor  
Karen Pfeifer, Vice Mayor  
Jesse Dowling, Council Member  
Tim Elinski, Council Member  
Ruben Jauregui, Council Member  
Linda Norman, Council Member  
Terence Pratt, Council Member (left meeting early)

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager  
Marianne Jiménez, City Clerk  
Steve Horton, City Attorney  
Rudy Rodriguez, Administrative Services General Manager  
Carol Brown, Budget Analyst  
Kyla Allen, Executive Assistant to the City Manager

OVERVIEW OF THE CITY'S 2013 FISCAL YEAR BUDGET

Mr. Rodriguez began the overview of the budget by stating every year we get questions why does our budget balloon when we adopt it and dwindle away as we start to revise it. We budget all of the city's reserves and any type of potential for grants—about \$500,000. One of the reasons we do that is so we have the ability to spend that money if it becomes necessary. When the year is just about done they do the revisions and recalculate what projects are not going to be done and they move all that money into the following year.

Personnel

A few years ago when the city received the SAFER grant we allowed some of the firefighters to train for lieutenant and they were going to make the positions permanent at a cost of \$7,400. They also added an additional certified paramedic, and if the economy continued to expand they would have all of them earning paramedic pay which was \$4,500 a year. There were a couple of other reclassifications they wanted to do, but rather than make the changes now they wanted the compensation study to take care of that.

They were looking at a couple of things that were not in this summary. One of them was they were going to figure out how to open up the library for half a day or so and maybe bring on a half time person, which was not in the budget right now. There was no cost of living adjustment and some staff positions were still frozen. The council awarded the compensation study at the last council meeting, and they were hoping to get it implemented relatively soon and everything would be retro back to July 1. We also have \$830,000 to fund the study. The merit program was fully funded this year. On top of the compensation study we will also continue the merit program based on the new salaries.

Council Member Elinski questioned when do we see the cost of living adjustment coming back.

Mr. Rodriguez stated we might look at it when the economy gets stronger.

Mr. Rodriguez continued stating our health insurance premiums increased by five percent. We have not shifted or changed the matrix for what is charged back to the employees. There were very few communities, with the exception of fire districts, that actually provide any assistance for dependant health care. He did want to reserve the right to come back to the council if the economy did not get better and change the health contributions. The Arizona State Retirement System's contribution formula was back to 50/50. Last year they did a 53/47 split that we would have to reimburse the employees for the portion they paid over the last fiscal year and they were looking at about \$22,000. Other things that have increased is the state retirement system going up from 10.1 to 11.14 percent. Also, our fire employees' public safety retirement continues to increase by 2.28 percent, with police at a 1.7 percent increase.

### New Programs

A weed abatement program would be started in order to shift people back to do other jobs rather than weed eating. Our current street sweeper needs some work, but rather than buy another one for well over \$100,000, staff wanted to contract it out which will allow someone to come in more often and release the one city staff person doing it to go out and do other things during those mornings. The solid waste transfer station was currently working relative well and just about broke even. The HVAC service contract was due to not having any real (staff) technicians. Under contract they would put us on a maintenance schedule and all of our HVAC systems will be serviced regularly to improve their life. The CAT/Verde Lynx system should be on board this year and they had just hired a transportation manager.

Council Member Jauregui questioned how much the street sweeping contract would cost.

Ms. Brown stated \$31,000 had been budgeted for the contract.

Mr. Rodriguez continued, stating the current general fund reserve policies were being maintained. Our HURF policies, water and enterprise balance policies are not being upheld at this point because our water rates need to be adjusted. Our HURF has dwindled, courtesy

of the state, so we were struggling to keep those. The general fund reserve policy was still strong due to the shift of sales tax into the general fund so we could maintain its strength. As the economy gets better he would be looking at making the change and start funding some monies back to those funds to make sure their fund balance policies were also maintained. Any purchases under \$35,000 were being held off until the first of the calendar year. Anything over \$35,000, those capital projects that were already in place, will continue to go forward. However, any vehicles or things like that they would probably hold off so we can trend out our revenues and make sure we can afford the big ticket items. We were showing some good signs that the economy is improving a little bit and we have shown small increases in our local sales tax. Proper compensation will be addressed in fiscal year 2013 through a compensation study this year.

### Major Revenues Update

Mr. Rodriguez showed a chart with a listing of revenues during peak years, and stated after five years we were still behind in some of our revenues. Our state shared income tax this coming year was estimated at 1.1 million and our peak in 2009 was 1.6 million. Our state shared sales tax, even though it was coming back relatively well, was still behind by nearly \$100,000. The MVD tax was nowhere near the peak back in 2006. Our investments showed the most drastic change and a lot of it was it depended on how much idle cash we have. In 2009 we had a boatload of cash invested at a very good rate as we were building our recreation center. We were able to accomplish a lot more things with that particular investment than we would have had we not been able to invest it back in 2007 when we first got that money. We did the recreation center, the library expansion, the Brian Mickelsen Parkway which originally was not included in the project, and a 1.2 - 1.3 million dollar pool expansion when we anticipated only a \$300,000 expansion. We spent everything down except for about \$600,000 that was currently programmed for the solar (project) and anything left over we will look at putting in a kids apparatus in the recreation center.

### FUNDING OUTSIDE AGENCIES

This coming year we did not put in for the Building Better Community grants, but was something they might like to look at for this coming year. Traditionally, it was about \$15,000 and we will take in applications this year and fund them the following year.

Mayor Joens questioned if we didn't have enough in Council contingency this year to pay that forward for next year.

Mr. Rodriguez stated we would take applications and they wouldn't get funded until fiscal year 2013 around January. It was not in the budget right now and we could consider it for the future, if not this upcoming year, then we can take applications in fiscal year 2013 and fund in 2014.

The following were agencies that had been funded for a number of years: Old Town Association, \$10,000; Senior Center, 45,000; Veterans Van, we budgeted \$1,000 this fiscal

year which they had not claimed, and we put in \$2,500 for next year if they can come up with their 501(c)(3) paperwork we will fund them. We have not funded them the last couple of years because they were struggling to get their 501(c)(3).

Mayor Joens stated they were talking about trying to get the Vietnam wall here for next year and if we would use that funding for that if we did not use it for the vans.

Mr. Bartosh stated they could, and the total cost for that was around \$6,000.

Mr. Rodriguez stated they could make some changes as they go along. The Humane Society was still funded at \$40,000, and Catholic Charities was budgeted for \$10,000-\$15,000. If they run out of the utility assistance fund they give them an additional \$5,000. The Humane Society this last year we gave them their \$40,000 upfront and they have requested their \$10,000. We are making our revenues (sales tax) and we will probably be cutting a check for an additional \$10,000. Part of our agreement with them was if we made our revenues we would go ahead and give them an additional \$10,000 for their building maintenance program this year.

Mayor Joens stated the council has wanted to do that for two years now and haven't been able, so she totally supported it.

Mr. Rodriguez stated he had a conversation with Elaine from the Senior Center and asked how we could help out short of giving her more cash. The issue she was having is she gets \$12,500 from Camp Verde and nothing from Clarkdale or Yavapai County. The city paid the lion's share of the program, but the outlying cost is the delivery of the food for all these organizations.

Mayor Joens stated she agreed with that, but on the other hand she liked to look at the fact that the building is in the City of Cottonwood and it benefitted our citizens greatly. She wished the other communities would help more on that.

Mr. Rodriguez stated the county donated the building, yet Cottonwood contributed about \$300,000-\$400,000 to remodel the building too. They need additional assistance and would be asking for more money. We were still struggling with our revenues and would like to help them out some other way.

Vice Mayor Pfeifer asked if they could break out how many in the city, county, Camp Verde, and Clarkdale meals they delivered.

Mr. Rodriguez stated it was in their quarterly report and he could extract that information.

Mayor Joens stated many years ago Brian used to send those reports to the Council for the Chamber and the Senior Center. She questioned if that was something they could start doing again.

Mr. Rodriguez stated he did not think we were getting reports from the Chamber. We do get reports from the Senior Center on a regular basis. He had not seen a report recently from the Old Town Association.

He continued, stating the city had a water rate committee that had been meeting for some time and they would be bringing something back to the Council for its review next month and the month after that. We were looking at both water and sewer simultaneously. Any implementation on these rates we were looking at a target date of October 1.

### Financing Needs

There were two financing options they were looking at this year. The refinancing of the water bonds were not in the budget since the decision was made to wait until the city got closer to the "call date" of the bonds somewhere in the November 2014 and January 2016 timeframe. We were still looking at about \$560,000 worth of lease purchases this coming year, and bonding for about 4.7 million dollars which included the 12th Street project, the Mingus Avenue reconstruction from Willard to 89A, and Mingus Avenue from Willard to Main Street.

### Reserve Funds Status

We still have a 60 day coverage for the city at 2.2 million, the capital accumulation fund contained 1 million dollars, the council's undesignated reserves were \$100,000, the 1 percent sales tax general fund capital was a portion of the additional one percent implemented in 2007 which was at \$493,020, the 0.2 percent sales tax public safety capital fund was at \$121,170 after we paid all of our lease purchases, and there was \$830,000 set aside for the salary compensation study and implementation.

### Future Meetings

Mr. Rodriguez stated future budget meetings were scheduled as follows: Tuesday, May 22 at 5 p.m., Wednesday at 5 p.m., and Thursday, if necessary, at 9 a.m.

## DEPARTMENTS

### City Council

Mr. Rodriguez reviewed the council's accomplishments for the current fiscal year which he indicated some overlapped into other departmental budgets because many times there was no one single department that does something.

### Administration

Ms. Allen reviewed the Administration department's accomplishments for the current fiscal year and the goals and proposed budget for fiscal year 2012-13.

### City Clerk

Ms. Jiménez reviewed the City Clerk department's accomplishments for the current fiscal year and the goals and proposed budget for fiscal year 2012-13.

### Legal

Mr. Horton reviewed the Legal department's accomplishments for the current fiscal year and the goals and proposed budget for fiscal year 2012-13.

### Natural Resources

Mr. Bartosh reviewed the Natural Resources department's accomplishments for the current fiscal year and the goals and proposed budget for fiscal year 2012-13.

Mayor Joens questioned where Mr. Hardy's contract was budgeted.

Mr. Rodriguez stated it was not in the budget as it was his understanding that he was done.

Mayor Joens stated he would be working for the city and needed to be added to the budget.

Mr. Bartosh indicated to Mr. Rodriguez that they should probably add \$30,000 to the Natural Resources budget for Bob Hardy's contract.

### Finance/Personnel/Information Technology/Purchasing

Mr. Rodriguez reviewed the departmental goals and accomplishments for the current fiscal year for the Finance, Personnel, Information Technology, and Purchasing Departments and the goals and proposed budget for each for fiscal year 2012-13.

### Non-Departmental

Mr. Rodriguez stated this is where we make sure we get all our debt service and lease payments taken care of and are all items that are usually fairly general in nature. There were not any big changes in here. Operating transfers was money traditionally going to the library and the airport at this time. Contractual services are items such as insurance payments. The Chamber of Commerce is money that comes in (bed tax) and sent to them. We no longer have the NAIPTA contract in there.

Mr. Rodriguez continued, stating some of those numbers (in the proposed budget) are incorrect. The library is one we are going to have to check out. We will make those changes and reflect them when we get ready to adopt the tentative budget; those numbers are incorrect and we will get them squared away.

#### Debt Service

Mr. Rodriguez stated the debt service funds are the library debt service fund, GADA for the recreation center and two others for the Railroad Wash and the public safety building. At our last goal setting session he mentioned that the library bonds, Railroad Wash, and the public safety building bonds will all extinguish as of July 1, 2013, and not this year but the following year we will have those monies available at approximately half a million dollars for other things.

#### Fiduciary Funds

Mr. Rodriguez stated the fiduciary funds were basically the firefighters alternate pension benefit plan fund which has been growing every year. Anywhere between \$25,000 and \$30,000 a year goes into that fund. At the same time we took away the \$3,600 contribution we have for two retired firefighters that are currently getting pensions. The employee health benefit trust—the council approved to terminate this trust and all those numbers will remain because we will continue paying any benefits for anyone who needs benefits. If anyone signs up for AFLAC, AFLAC will not pay for preexisting conditions. If anyone has AFLAC and they have an injury the city will cover them for that one year period if it is a preexisting condition. If not then they will deal with AFLAC on their own.

Mr. Rodriguez stated that wrapped up the budget, and asked if there were any questions.

Council Member Dowling questioned why they didn't just get this whole thing done today.

Mayor Joens thanked Mr. Rodriguez.

#### ADJOURNMENT

Mayor Joens moved to adjourn. The motion was seconded by Vice Mayor Pfeifer, and carried unanimously. The budget work session adjourned at 11:50 a.m.

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Diane Joens, Mayor

ATTEST:

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Marianne Jiménez, City Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a budget work session of the City Council of the City of Cottonwood held on May 21, 2012. I further certify that the meeting was duly called, and that a quorum was present.

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Marianne Jiménez, City Clerk

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Date